January 29, 2004

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 2-551

Re: Docket No. R-1168, R-1171, R-1169, R-1170, and R-1167 Subpart A

Dear Ms. Johnson:

Iowa Bankers Association ("IBA") is a trade association representing nearly 95% of banks and savings and loan associations in the State of Iowa. We appreciate this opportunity to comment on the Federal Reserve Board's proposed rule to establish more uniform standards for providing disclosures under consumer protection regulations B (Equal Credit Opportunity Act); E (Electronic Fund Transfers Act); M (Consumer Leasing); Z (Truth-in-Lending Act); and DD (Truth-in-Savings Act).

First, we agree with the proposal's basic premise that consistency among disclosures required by regulation would facilitate greater compliance among banks. In theory the proposal appears valid, but its application is not only overly burdensome and expense for financial institutions, but virtually impossible to develop "reasonably understandable" standards that fit five very diverse, complex regulations to benefit consumers from various educational, economic and social backgrounds.

Specifically, we draw your attention to these concerns with the proposal:

- **Regulations identified in the proposal are very diverse in nature, containing very different disclosure requirements that do not lend themselves to a "one size fits all" approach to disclosure.** The proposal references Reg. P and the desire to conform the definition of "clear and conspicuous" with the definition provided in Reg. P as well as adopt Reg. P's guidance or criteria of meeting the clear and conspicuous standard. It is important to note that Reg. P requires all account owners within an institution receive one initial and then annual disclosure of the institution's privacy practices. The disclosure is generic in nature; that is, all account owners receive the exact same disclosure. Whereas, disclosures required under the regulations included in the proposed revisions are very diverse and vary from one customer to the next, one transaction to the next, depending on the terms of the transaction. Further, each regulation already provides guidance or model formats for disclosures, which have not been proven to be ineffective, thus warranting change. Also keep in mind the disclosure goals of each regulation are different. Reg. P, E and B disclosure requirements are designed for the purpose of informing customers of a bank's practices while Reg. Z and DD disclosures are designed as an educational tool for consumers; a means to compare one loan

to another, one deposit account to another. Finally, I find it curious that Reg. P is being used as an example of desired disclosure format at the same time federal agencies are seeking comments on ways to improve the clarity of privacy notices under the GLBA.

- **There is no guarantee the revised disclosures will be more helpful to consumers.** In fact, if the length of current disclosures is lengthened, the impact may very well be the disclosures are less helpful. Time and again, we have found that longer does not mean better or clearer. Consumers are often overwhelmed by page after page of disclosure and are less inclined to read the information.

- **The addition of "reasonably understandable" and "designed to call notice" standards are subject measures that may vary depending upon the holder of the disclosure.** It is outrageous for anyone to believe that by requiring certain formats, use of "plain language," (which will vary from one region of the U.S to another; one ethnic group to another; one economic group to another, etc.), typeface, font size, or other items disclosures will be more meaningful and clear to consumers. In this day of frivolous lawsuits, the outcome of such mandates will be legal proceedings from consumers asserting a financial institution did not provide a "reasonably understandable" disclosure with "plain language" or that the disclosure was not designed to call the reader's attention because margins were not wide enough or the type not large enough. While Reg. P may not contain provisions for civil lawsuits, some of the other regulations impacted by proposed revisions do and it will not take unscrupulous attorneys and consumers long to figure this out.

  Further, the guidance that was provided is very subjective and often unclear. For example how should an institution adapt the suggested formats to model disclosures currently provided by the regulations? How do the suggested formats apply when disclosures are provided on non-traditional medium such an ATM receipts, electronic message, etc?

- **The proposed changes impose a very expensive and time-intensive regulatory burden on financial institutions.** If passed as purposed, financial institutions would have to examine every disclosure they provide under the five impacted regulations. Not only will this be a very time-consuming process for institution personnel who are already spread thin trying to keep up with the plethora regulatory issues they face on a daily basis, but a very costly proposition. Bank personnel will have to review <u>every</u> disclosure required under the impacted regulation to determine if its current format meets the suggested font size, margin width, lines spacing, plain language test and other "suggested standards" provided to meet the "reasonably understandable" test.

  In addition, many of our small rural institutions still rely on paper forms rather than the more sophisticated software systems used by larger institutions to generate their disclosures. They often order large quantities of the forms to have on hand. Therefore, changes in disclosure requirements will require these institutions redraft, reproduce and reorder new forms for not just one, but possibly five regulations. Keep in mind also, that a few of the affected regulations have multiple disclosure requirements; for example under Reg. Z impacted disclosures could include the early TIL, final TIL and rescission notice. Finally, if in the redrafting phase the disclosures are lengthened to accommodate wider margins, large font size, line spacing adjustments, etc., paper costs will increase as well.

Again, generally financial institutions applaud efforts by regulators to promote consistency among regulations to reduce compliance efforts; that is, when consistency is incorporated into the

original drafting of implementing rules. To go back now and revise disclosure requirements would be an overwhelming burden on financial institutions that are reeling from added regulatory requirements recently imposed by the USA Patriot Act, HMDA revisions, Reg. B revisions, added BSA provisions, impending FACT Act requirements, Can-SPAM requirements….need I go on? More over, the Board has not provided just cause for such revisions by giving examples of how current disclosure are ineffective, confusing or unclear. If the Board has issues with certain disclosure requirements, those issues should be addressed directly and individually rather than the large brush approach used in this proposal.

Thank you for the opportunity to comment on this important proposed regulation. I appreciate your consideration of my comments and suggestions. If you have questions related to this letter, you may contact me at Iowa Bankers Association, 515-286-4361 or via e-mail, rschlatter@iowabankers.com.

Respectfully,

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